The Transportation Infrastructure Finance and Innovation Act (TIFIA)

Innovative Program Delivery

Transportation Finance Innovations

Quick Facts

- Provides loans, lines of credit, and loan guarantees.
- Twenty-five projects have received $8.7 billion in credit assistance, with $33.1 billion in total project cost.
- Each dollar put into TIFIA can provide approximately $10 in loans and support up to $30 in infrastructure investment.

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U.S. Department of Transportation
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THE TRANSPORTATION Infrastructure Finance and Innovation Act (TIFIA) allows the U.S. Department of Transportation (DOT) to provide direct credit assistance to sponsors of major transportation projects.

How Does It Work?

The TIFIA credit program offers three distinct types of financial assistance—direct loans, loan guarantees, and standby lines of credits (see sidebar for definitions). These instruments are designed to address the varying requirements of projects throughout their life cycles. The amount of Federal credit assistance may not exceed 33 percent of total eligible project costs. TIFIA project sponsors may be public or private entities, including State and local governments, special purpose authorities, transportation improvement districts, and private firms or consortia. The program is designed to fill market gaps and leverage limited Federal resources and substantial co-investment by providing projects with supplemental or subordinate debt rather than grants.

Any type of project eligible for Federal assistance through existing surface transportation programs (both highways and transit) is eligible for TIFIA assistance. In addition, the following types of projects are eligible: international bridges and tunnels, intercity passenger bus and rail facilities and vehicles, public freight-rail facilities or private facilities providing public benefit for highway users, intermodal freight-transfer facilities, access to such freight facilities, and service improvements to such facilities, including capital investment for intelligent transportation systems (ITS). When located in a port terminal, only surface transportation infrastructure modifications necessary to facilitate direct intermodal interchange, transfer, and access into and out of the port are eligible. A recent amendment to the TIFIA program under SAFETEA-LU allows the use of TIFIA loan and loan guarantee proceeds to refinance long-term project obligations or Federal credit instruments if such refinancing provides additional funding capacity for the completion, enhancement, or expansion of new transportation infrastructure.

Reno ReTRAC in Reno, NV

What Are the Benefits?

TIFIA assistance provides improved access to capital markets, flexible repayment terms, and potentially more favorable interest rates than can be found in private capital markets for similar instruments. TIFIA can help advance expensive projects that otherwise might be delayed or deferred because of size, complexity, or uncertainty over the timing of revenues. Each dollar of Federal funds can provide approximately $10 in TIFIA credit assistance and leverage $30 in transportation infrastructure investment.

The ability to use TIFIA to partner with the Federal Government for essential and costly projects improves access to the capital markets. Large, complex projects frequently encounter market resistance as a result of investor concerns about risk, particularly in the case of subordinate and secondary sources of capital. However, with TIFIA, the government can be a flexible, patient investor by providing subordinate capital that may not be available through the capital markets on attractive terms. The flexibility provided by TIFIA can then enable the senior debt to demonstrate higher coverage margins and

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attain investment-grade bond ratings. By facilitating the borrower's access to the capital markets through TIFIA, major projects that might be delayed or accomplished with less efficiency can be advanced.

How Is It Used?

TIFIA assistance involves an application process, managed by the TIFIA Joint Program Office (under the Office of Innovative Program Delivery), and each project must meet certain threshold criteria to apply. The project's estimated eligible costs must be at least $50 million or 50 percent of the State's annual Federal-aid highway apportionments, whichever is less, or at least $15 million for ITS projects. The project must be supported in whole or part from user charges or other non-Federal dedicated funding sources and be included in the State's Transportation Plan. The project is subject to all Federal requirements. Qualified projects are evaluated and selected based on eight criteria. Before TIFIA assistance can be committed, the project must receive an investment grade rating on its senior obligations and have a completed environmental action.

The TIFIA program has leveraged almost $33.1 billion in project investment since its creation and has provided $8.7 billion in TIFIA assistance for 25 projects. Because of their size, many of the approved TIFIA projects were either unfunded in the near term or had large funding gaps. For some projects, TIFIA assistance enhanced market access and reduced borrowing costs; for others, it provided an alternative to grant funding, enabling the project sponsor to conserve regular Federal funds for smaller projects that could not be supported through user charges or dedicated revenue streams.

Potential Advantages

- TIFIA provides low-cost financing to private, cross-jurisdictional, and other non-traditional project sponsors.
- TIFIA assistance is "off the top" and does not count against a State's regular apportionments but is awarded through a nationwide competitive selection process.
- TIFIA's flexible features enable many non-traditional types of revenue to be brought to the table.

Potential Limitations

- Some projects may be too small to qualify for TIFIA assistance.
- TIFIA must be used in conjunction with other funding or financing, because it can only support 33 percent of eligible project costs.
- TIFIA requires an investment grade rating on senior debt (or on the TIFIA debt if no debt senior to TIFIA exists).

Considerations

- As with State Infrastructure Banks and Grant Anticipation Revenue Vehicles, TIFIA projects require long-term monitoring and surveillance by the Federal Highway Administration and DOTs for the life of the loan.
- TIFIA projects must appear on the applicable State Transportation Improvement Program, but the State DOT does not have to be the borrower.
- TIFIA projects must follow the Federal-aid requirements of the applicable modal agency. ■

TYPES OF FINANCIAL ASSISTANCE

The TIFIA credit program offers three distinct types of financial assistance:

▶ **Secured (direct) loan**—Maximum term of 35 years from substantial completion, with repayments starting no later than 5 years after substantial completion. This allows for ramp-up, particularly in toll road projects.

▶ **Loan guarantee**—Guarantees a project sponsor's repayments to non-Federal lender. Loan repayments to lender must commence no later than 5 years after substantial completion of project.

▶ **Standby line of credit**—Contingent loan available for draws as needed up to 10 years after substantial completion of project.

PROGRAM AREAS OF THE OFFICE OF INNOVATIVE PROGRAM DELIVERY

IPD provides a one-stop source for expertise, guidance, research, decision tools, and publications on program delivery innovations. Our Web page, workshops, and other resources help build the capacity of transportation professionals to deliver innovation.

PROJECT DELIVERY

IPD's project delivery team covers cost estimation, financial planning, and project management and assists FHWA Divisions with statutory requirements for major projects (e.g., cost estimation, financial plans, and project management plans).

PROJECT FINANCE

IPD's project finance program focuses on alternative financing, including State Infrastructure Banks (SIBs), Grant Anticipation Revenue Vehicles (GARVEEs), and Build America Bonds (BABs).

PUBLIC–PRIVATE PARTNERSHIPS

IPD's P3 program covers alternative procurement options (e.g., toll concessions and availability payments), which can reduce cost, improve project quality, and provide additional financing options (e.g., Private Activity Bonds [PABs]).

REVENUE

IPD's revenue program focuses on how governments can use innovation to generate revenue from transportation projects (e.g., value capture, developer mitigation fees, air rights, and road pricing).

TIFIA

The Transportation Infrastructure Finance and Innovation Act (TIFIA) program provides credit assistance for significant projects. Many surface transportation projects—highway, transit, railroad, intermodal freight, and port access—are eligible to apply for assistance.

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